

**LEGISLATIVE SERVICES AGENCY  
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

200 W. Washington, Suite 301  
Indianapolis, IN 46204  
(317) 233-0696  
<http://www.in.gov/legislative>

**FISCAL IMPACT STATEMENT**

**LS 7312**

**BILL NUMBER:** HB 1777

**NOTE PREPARED:** Jan 10, 2003

**BILL AMENDED:**

**SUBJECT:** Charity Gaming.

**FIRST AUTHOR:** Rep. Pelath

**FIRST SPONSOR:**

**BILL STATUS:** As Introduced

**FUNDS AFFECTED:**    **GENERAL**  
                          **X DEDICATED**  
                          **FEDERAL**

**IMPACT:** State

**Summary of Legislation:** The bill voids proposed rules regarding charity gaming.

**Effective Date:** Upon passage.

**Explanation of State Expenditures:** The bill voids several charity gaming rules proposed by the DOR on July 1, 2002. The impact of the rules on charity gaming is indeterminable. The rules being voided are as follows:

(1) The bill voids a rule establishing a new definition of a "member" of an organization conducting charity gaming. The rule provides a narrower definition of "member" for delineating those individuals who may work at an organization's charity gaming events. Under current statute, an event worker must be a member in good standing of the organization for at least 30 days at the time of the event. Under the rule, an individual must be (a) qualified for membership in the organization, (b) entitled to vote in the election of organization officers or board members, and (c) eligible for election as an organization officer or board member and to participate in determining organization policies. The individual also must be able to show continuous active participation in the organization's stated purpose or mission, including contribution of time, money, or talent to the organization and attendance at regular meetings.

(2) The bill voids a rule specifying requirements for organizational uses of charity gaming receipts for organizational uses of charity gaming receipts. In particular, the rules require licensed organizations to use at least specified minimum percentages of charity gaming gross receipts for the lawful purposes of the organization, or the acquisition and maintenance of real property involved in the operation of the organization. Current statute permits the DOR to specify the allowable expenditures of charity gaming

receipts and also requires that all of an organization's net charity gaming receipts be used only for the lawful purposes of the organization. The rule requires: (a) organizations with less than \$150,000 in annual gross charity gaming receipts to use at least 5% of the gross receipts for organization purposes; (b) organizations with \$150,000 to \$500,000 in annual gross charity gaming receipts to use at least 10% of the gross receipts for organization purposes; and (c) organizations with more than \$500,000 in annual gross charity gaming receipts to use at least 12% of the gross receipts for organization purposes. Under the rules, an organization failing to meet these minimum use standards would have its license suspended or revoked. In FY 2002, net charity gaming proceeds after total expenses overall represented about 12.6% of overall charity gaming gross receipts. From FY 1998 to FY 2001, this overall percentage ranged from a low of 11.7% to a high of 12.5%. For organizations holding annual bingo licenses in FY 2002 (these organizations accounted for 84% of the overall gross receipts during the fiscal year) net charity gaming proceeds represented only about 10.2% of gross charity gaming receipts. In comparison, this percentage ranged from 4.8% for annual bingo/pull tab licensees and 16.6% for pull tab licensees to 47.3% for festival licensees and 50.8% for raffle licensees. At the organization level in FY 2002, the net proceeds to gross receipts percentage for annual bingo licensees varied from 0% to 48%, with a sizeable number of organizations at or below the minimum use percentages required under the proposed rule.

(3) The bill voids rules specifying the license fees on charity gaming organizations, and manufacturers and distributors of charity gaming supplies and equipment.

(4) The bill voids rules that: (a) specify facility rent limits; (b) regulate the cost and conduct of charity gaming events, prizes, facility rent, advertising of events, game price limits, and participant age requirements; (c) provide for charity gaming violations; and (d) establish a process for protesting DOR findings of charity gaming violations.

The bill also incorporates into statute the rules regarding (3) and (4) above as in effect on January 1, 2002.

**Explanation of State Revenues:**

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:**

**State Agencies Affected:** Department of State Revenue.

**Local Agencies Affected:**

**Information Sources:**

**Fiscal Analyst:** Jim Landers, 317-232-9869